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Voluntary _ Public

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Grain Voluntary Update - Wheat Import Duty Removed

Report Categories:

Grain and Feed

Agriculture in the Economy

Policy and Program Announcements

Approved By:

Scott Sindelar

Prepared By:

Santosh K. Singh

Report Highlights:

On December 8, 2016, the [Ministry of Finance removed the import duty on wheat indefinitely](#) from the earlier provision of [10 percent import duty effective till March 1, 2017](#). Consequently, MY 2016/17 wheat imports are raised higher to 3.7 million metric tons (MMT). MY 2016/17 ending stocks are lowered to 8 MMT.

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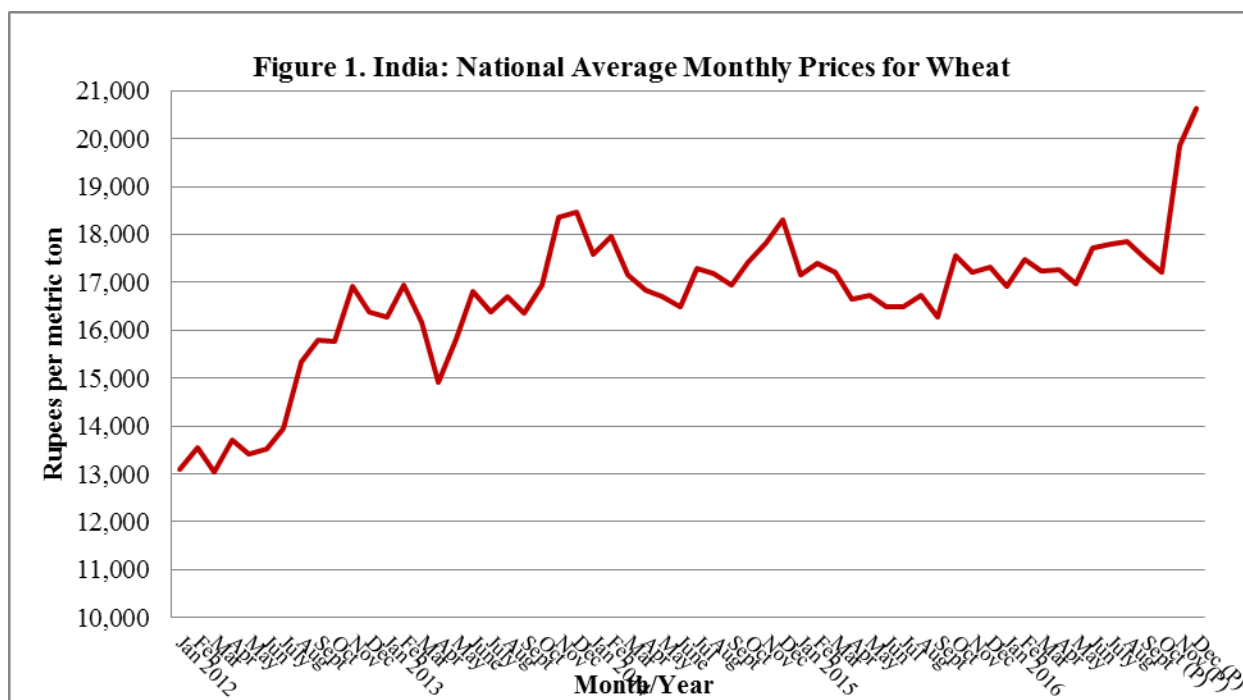
WHEAT

Table 1. India: Commodity, Wheat, PSD (Area in Thousand Hectares, Quantity in Thousand Metric Tons)						
Wheat Market Begin Year India	2014/2015		2015/2016		2016/2017	
	Apr 2014		Apr 2015		Apr 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	30473	30473	31470	31470	30220	30220
Beginning Stocks	17830	17830	17220	17220	14540	14540
Production	95850	95850	86530	86530	90000	87000
MY Imports	51	51	471	471	3000	3700
TY Imports	273	273	300	300	3000	3500
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	113731	113731	104221	104221	107540	105240
MY Exports	3409	3409	1130	1130	400	400
TY Exports	1834	1834	873	873	400	400
Feed and Residual	4500	4500	4200	4200	4500	4500
FSI Consumption	88602	88602	84351	84351	91640	92340
Total Consumption	93102	93102	88551	88551	96140	96840
Ending Stocks	17220	17220	14540	14540	11000	8000
Total Distribution	113731	113731	104221	104221	107540	105240

Import Duty on Wheat Removed

On December 8, 2016, the Ministry of Finance issued a notification removing the import duty on wheat for an indefinite period. Earlier in September, the [Ministry of Finance lowered the basic custom duty on imports of wheat](#) from 25 percent to 10 percent (*ad valorem* on CIF value) till March 1, 2017. Market sources report that the GOI decision to remove the import duty was due to concern about the rising domestic prices and declining government-held wheat stocks in the recent months.

Domestic prices have surged over the last two months to record levels due to tight domestic markets. Due to the concerns on declining government-held wheat stocks, the government reduced wheat sales under open market sale scheme (OMSS) in recent months contributing to the strong escalation in domestic prices. Consequently, the government removed the import duty on wheat to allow private mills to augment their wheat consumption requirement through imports.



Source: Agmarket News (<http://agmarkweb.dacnet.ic.in>), Ministry of Agriculture, GOI

Firm domestic prices resulted in stronger offtake of government held-wheat in the first seven months of the marketing year (18.6 MMT vs 15.4 MMT last year), especially by the private trade under OMSS, resulting in stocks on November 1, 2016, declining to 18.8 MMT, more than 11 MMT lower than last year. Consequently, the government reduced the wheat offtake from November onwards on concerns about further draw down of stocks to levels below the government desired stock levels. Consequently, the domestic prices have escalated to record levels in most markets as historically the government has been the dominant supplier in the open market during the second half of the marketing season.

The strong domestic prices strongly suggest that the Ministry of Agriculture (MoA) estimate of the MY 2016/17 wheat production of 93.5 million metric tons (MMT) is highly optimistic, while private trade sources continue to estimate the crop in the range of 85 to 87 MMT. At this stage, Post continues to estimate MY 2016/17 wheat production at 87 MMT (see [IN6134](#)).

MY 2016/17 Imports Raised

Post's MY 2016/17 wheat imports are revised higher to 3.5 MMT on improved import prospects due to the removal of the import duty. Trade sources report that about 3.2 MMT of wheat has already been imported or contracted for imports through end February, 2017 and an additional 0.5 MMT is likely to be imported in March 2017. Assuming no significant changes in the import duty structure and current price parity between domestic and international wheat prices, MY 2016/17 imports are likely to reach 3.7 MMT. However, import prospects are likely to be affected if the government decides to re-impose

the import duty based on the production prospects of the upcoming MY 2017/18 wheat crop.

Ending Stocks Lowered

Post estimates MY 2016/17 wheat ending stocks lower at 8 MMT based on relatively higher offtake of wheat during the first half of the marketing year. The [official wheat stocks on December 1, 2016, are estimated at 16.5 MMT](#), about 10.4 MMT lower than last year level. Assuming the normal offtake of wheat under the public distribution system (PDS) and reduced offtake of OMSS during the last four months, the MY 2016/17 ending stocks are expected to decline to 8 MMT, just about the government's desired stocks of 7.5 MMT.

Consumption Revised Higher

MY 2016/17 consumption estimate is revised higher to 92.4 MMT reflect the change in the import and stock estimates.